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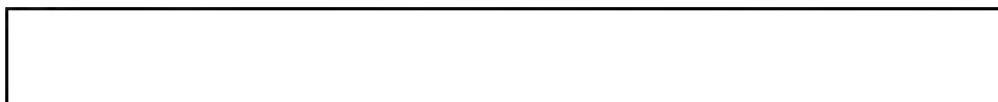
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JAPAN: Dissension within Prime Minister Sato's ruling Liberal Democratic Party (LDP) is becoming more open.

For the first time, a leader in the LDP's dominant factional grouping, Sunao Sonoda, has publicly criticized the Sato government on its China policy and its performance in recent elections. Sonoda charged that the government suffered from "inertia and stagnation," and demanded a fundamental change in policy toward China. At the same time, Sonoda suggested that in response to President Nixon's planned visit to Peking, Tokyo should seek a breakthrough in foreign policy through a rapprochement with the Soviet Union--the first time a major LDP figure has publicly suggested this idea.

Sonoda has been a long-time advocate of improving relations with both Moscow and Peking. His statements may have been intended to assist Foreign Minister Fukuda, who is widely assumed to be Sato's choice as heir apparent and to whom Sonoda's faction has made a recent commitment of support. The remarks may be designed to prod Fukuda to recast the "right-wing" image of his foreign policy. Although a rapprochement with the USSR has far less political appeal in Japan than improved relations with China, these remarks may be a significant indication that, even on the right wing of the LDP, there is increasing consideration of a more independent foreign policy for Japan.

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BURMA: Rangoon reportedly will sell \$19 million of gold in the next two weeks to ease balance of payments pressures.

This transaction, the fourth of a series, will completely wipe out Burma's gold reserves, which stood at \$84 million just a year ago. In recent weeks import transactions have dropped to record lows because of a lack of foreign exchange. With other reserves amounting to less than \$5 million, Rangoon must sell its gold to handle even routine trading.

Burma has been in trouble since 1964 when rice exports--the country's primary foreign exchange earner--began their precipitous decline. Low world prices since mid-1969 have aggravated the problem. This year's rice sales, although the largest since 1966/67, promise only limited relief because several of the major sales have been barter transactions. The loss of Burma's reserve cushion may force General Ne Win to reconsider his policy of not seeking foreign loans to alleviate foreign exchange pressures.

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NOTES

USSR - MIDDLE EAST: The Soviets may be anticipating increased scrutiny of their activities throughout the Middle East as a result of Arab charges of Moscow's involvement in the coup in Sudan on 19 July.

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[redacted]
[redacted]
[redacted] security officials in Yemen (Sana) have arrested seven Yemeni military officers, as they were leaving the Soviet Embassy in Sana, for allegedly conspiring with Soviet officials to overthrow the government. Soviet activities in most of Latin America were under similar scrutiny last spring after the Mexican Government expelled a handful of Soviet officials. [redacted]

* * * *

PAKISTAN: Government food stocks in East Pakistan are adequate for about two months, but most grain remains at the ports. Internal transport disruptions have prevented the movement of grain to those districts where stocks are very low. The government has asked the UN for a grant of up to a half million tons of wheat for free distribution in East Pakistan before the end of the year. Islamabad already has commitments of almost 850,000 tons of grain toward its requirement of 1.4 million tons for the last half of this year, including 365,000 tons newly authorized by the US. If a US dock strike, which is threatened for 1 October, holds up delivery, Pakistan may need additional grain from other sources. [redacted]

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ANGOLA: The first serious sabotage by Angolan insurgents in more than two years against the Benguela Railroad has disrupted traffic on the main transport link connecting Zambia and Congo (Kinshasa) with Angolan seaports. A local Portuguese official speculates that the sabotage was the work of the National Union for the Total Independence of Angola (UNITA), the smallest of the three insurgent groups currently operating in Angola. Such incidents in the past have seriously strained relations between the Portuguese and the neighboring governments of Zambia and Congo (Kinshasa), which provide limited assistance to Angolan insurgents. [REDACTED]

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MOROCCO: King Hassan announced last night that Karim Lamrani, the former finance minister, will head his new "transitional" government. The able Lamrani also heads the important phosphate monopoly and is one of Morocco's leading economic czars. The controversial long-time minister of the interior, Major General Mohamed Oufkir, becomes minister of defense and de facto commander of the armed forces. Hassan presumably remains commander in chief and chief of staff, but it will be [REDACTED] Oufkir's task to whip into shape the morale-shattered armed forces whose top echelon staged the unsuccessful coup attempt on 10 July. Most of the other 14 ministers served in the last or earlier governments. [REDACTED]

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